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TASK FORCE ON BROADCASTING POLICY

SUMMARY

REPORT OF THE TASK FORCE ON BROADCASTING POLICY

(This is not an official document of the Task Force)

Ottawa, September 22, 1986

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PART I: THE CONTEXT

Chapter 1 The Development of Canadian Broadcasting Policy

Beginning with the Report of the Aird Royal Commission over 50 years ago, Canadian broadcasting has been the subject of many reports by special commissions, committees or task forces, although there has been no comprehensive report since 1965. Those predecessor reports reveal a remarkable consistency in the nature of the problems to be addressed: Canadian programming versus American, public ownership versus private, the responsibilities of the public broadcaster versus those of the private sector, the subsidizing of culture versus the protection of commercial interests, the commercial needs of the private broadcasters versus their obligations, and so on.

Chapter 2 International Perspective

To an increasing degree technological change has in recent years confronted other countries with the same dilemmas which have faced Canada for decades as a result of its proximity to the United States. Satellites and an increased capacity to distribute broadcast services have led to increasing use of American programs which can be acquired for a small fraction of their production cost. As a result, today Europe is invoking national sovereignty to combat a cultural invasion that Canada has faced since the early days of radio. Within the changing international framework, opportunities now exist for more exchanges of programming with other countries, both within the international francophone community of nations and organizations such as the Commonwealth.

Chapter 3 Culture and Industry

In establishing broadcasting policy the essential first step is to determine the ultimate rationale for any actions the Government of Canada may take. While broadcasting is an industry, the programs broadcasters make available have cultural importance. The Report reflects a judgement that our first priority is to make the broadcasting system serve Canadian culture, broadly defined, more effectively in the future than it has done in the past.

On the issue of cultural sovereignty the Task Force believes that the broadcasting system has a prominent role to play in both nurturing and reflecting Canadian culture. Governments must therefore not consider measures to achieve the objectives of Canadian broadcasting as mere chips that may be traded across a bargaining table. Canadians must retain the sovereign right to make whatever decisions are necessary to protect our own culture.

Chapter 4 The Evolution of Broadcasting Technology

As changes occur in the technology available for use in broadcasting, there are resulting changes in the nature of the issues broadcasting policy must address. The development of broadcast technology is reviewed, beginning with the early development of "wireless telephony" in the early 20th century and concluding with an examination of current technologies and an assessment of possible changes to the year 2000.

Ever since the Aird Commission, broadcasting inquiries have had to deal with a medium in transition. Technology has always been a two-edged sword. On the one hand it has allowed instant communication across this astonishing landmass. On the other, it has allowed the broadcasting system of another nation to have almost unrestricted access to Canadians.

Based on its review and assessment of the implications of new technology, the Task Force has concluded that the future will not be determined inevitably by technology. The technologies which have flooded Canada with foreign programs can also be turned to the Canadian purpose.

We reject any policy based on keeping foreign programming out of Canada. In fact, beginning with the early days when the CBC alone brought U.S. shows to Canadians in remote parts of the country, we have absorbed the American programming into our own broadcasting system and we will continue to do so. However, what we must concentrate on now is making realistic, effective provision for more high quality Canadian programming to be produced and exhibited by our broadcasters and, through new satellite distribution mechanisms, to be distributed to every corner of the country.

Chapter 5 Programs and Audiences

Canada's principal regulatory problem has been that of maintaining a reasonable balance between foreign content and domestically made programs. For example, only 2 percent of the drama seen on English-language television is Canadian in origin and English Canadians are virtual strangers in the land of the imagination. While other categories of Canadian programs are watched much more, only 29% of viewing of English television is of Canadian programs, and just 24% in prime time (7:00 p.m. - 11:00 p.m.). Limited viewing of Canadian programming in categories such as drama reflects the fact that very little of such programming is available.

Viewing patterns for French television are significantly different, with Canadian programs attracting 68 percent of viewing. However, francophones view English-television to a

significant degree and a lower percentage of their total television viewing, 57%, is of Canadian programs. Moreover, even in French television 80% of all viewing of drama programs is of foreign drama. The differences between English and French television reflect to a significant degree the presence in English Canada of the U.S. networks, which contribute to the overwhelming dominance of foreign programs available in English.

Key findings of the review of program availability and listening or viewing habits include the following:

- ° Canadians watch Canadian performance programming in proportion to its availability.
- ° They are insatiable consumers of Canadian news programming.
- ° Canadian children are ill served by what the broadcasting system offers them..
- ° Private broadcasters have powerful incentives to import American programs and to put Canadian programs at a disadvantage in terms of budgets, scheduling and promotion. The larger private English station groups (CTV, Global) have a better record of support for Canadian programming than do the independent stations as a group.
- ° Cable has contributed not only to the fragmentation of local broadcaster revenues, but also to a sharp reduction in the proportion of programming available that is Canadian. The viewing of Canadian programs declines in cabled households, as does the viewing of French-language programming in cabled francophone households.
- ° Increased channel choice is at present not resulting in proportionate increases in program diversity, nor in proportionate increases in the availability of Canadian programming.
- ° In Quebec, viewing of both English-language television and American programs in particular remains relatively high.
- ° FM radio continues to take listening share from AM radio.

In general, we can see that certain components of the system make only minor contributions to Canadian programming, and that certain categories of Canadian programming are all but absent from our television screens. A great many of the recommendations we make will, we hope, serve to reverse some of these findings.

PART II TOWARD A NEW BROADCASTING ACT

The 1968 Broadcasting Act contains most of the provisions that govern broadcasting in Canada. The first part of the Act sets out the fundamental principles and general objective of Canadian broadcasting policy. The second assigns to the CRTC responsibility and related powers for the purpose of licensing and regulating broadcasters in order to implement the principles and achieve the goals set out in the Act. The third part of the Act makes provision for the operation of the Canadian Broadcasting Corporation.

Chapter 6 Principles and Objectives

(Chapter 6 examines the implications of the Canadian Charter of Rights and Freedoms for broadcasting policy, with particular attention to freedom of expression and equality rights. The chapter then turns to a review of the principles and objectives set out in Section 3 of the 1968 Broadcasting Act.)

We recommend that the fundamental principles and objectives of Canadian broadcasting policy continue to be stated in the legislation governing broadcasting. In order to take into account changes in technology and to provide for equal treatment of all entities involved, a change is required in the definitions of broadcasting, a broadcasting undertaking or operation, and a broadcast network.

We recommend that a new broadcasting act be passed, incorporating the following provisions:

- ° The radio frequencies used for broadcasting are public property.
- ° All persons authorized to use broadcasting frequencies should be considered trustees of the Canadian public.
- ° An independent body should continue to regulate the undertakings which make up the broadcasting system in accordance with principles set out by Parliament.
- ° Broadcasting undertakings in Canada form a composite system. Each in its own way should contribute to the achievement of the objectives assigned to the Canadian broadcasting system.
- ° Only Canadians may own and control broadcasting undertakings in Canada.
- ° In both its organization and operation, the Canadian broadcasting system should serve the interests of all Canadians and their need to express themselves, in order to safeguard, enrich and strengthen the

cultural, political, social and economic fabric of Canada.

- ° The Canadian broadcasting system should play an active role in developing an awareness of Canada, reflect the cultural diversity of Canadians and make available a wide range of programming that is Canadian in content and character and that provides for a continuing expression of Canadian identity. It should serve the special needs of the geographic regions and actively contribute to the flow and exchange of information and expression among the regions of Canada.
- ° All Canadians have a right of access to the broadcasting system. Community broadcasting should be recognized for this purpose as one of the components of the system.
- ° All Canadians have a right to receive broadcasting services, subject only to generally applicable statutes and regulations.
- ° All Canadians have a right to broadcasting services in French and in English.
- ° The special character of Quebec broadcasting should be recognized, including its role as a nucleus for French-language broadcasting throughout Canada.
- ° The principle of federal-provincial consultation is fundamental and should be pursued without interfering with the autonomy of broadcasters or regulatory authorities.
- ° Aboriginal peoples have a right to broadcasting services in representative native languages, where numbers warrant and as public funds become available.
- ° All persons authorized to operate broadcasting undertakings and retransmission undertakings are responsible for the programs they distribute except when they have no decision-making power, in whole or in part, over these programs.
- ° The Canadian broadcasting system should offer a range of programming that is varied and comprehensive, providing a balance of information, enlightenment and entertainment for people of differing ages, interests and tastes.
- ° The overall programming of each broadcaster, in keeping with circumstances in the community served,

should provide a balanced opportunity for the expression of differing views on matters of public interest.

- ° Programs aired on Canadian radio and television should be of high standard, pursuant to commitments made by broadcasters and in keeping with recognized professional standards appropriate to the category of the undertaking.

Chapter 7 Policy-making and Regulation

Responsibility for the formulation of broadcasting policy involves several participants: the Parliament, the government, the Department of Communications and the CRTC. Broadcasting policy issues range from establishing the principles and objectives for the system, to the specific details of regulatory measures to implement those goals. Effective policy requires periodic reviews, including extensive reviews such as our Task Force was asked to undertake.

We have reviewed the roles of the various authorities involved in broadcasting policy under the existing legislation. On the specific issue of the government's authority to issue policy directives to the CRTC we recommend that:

The Act should recognize government entitlement to intervene with the CRTC according to one or the other of the following methods, but not both: either it can set aside or refer decisions back to the CRTC, or it can issue directives to the CRTC. The Task Force prefers that government have the power to issue directives.

If the government is to be given the power to issue directives then we recommend that there be a requirement that public opinion be solicited on the issue involved. Our related recommendations suggest many safeguards designed to balance the use of this power with the essential independence of the CRTC.

(Chapter 7 also reviews the structure, powers and procedures of the CRTC and includes recommendations designed to make the regulatory process more effective. Among the changes recommended is greater use by the CRTC of conditions of licence tailored to reflect the resources of individual licensees rather than reliance on generally applicable regulations, which may be too stringent for some licensees while imposing no significant obligations on others.)

We also recommend that the CRTC and the Department of Communications carry out regular research to monitor developments in broadcasting and provide the information base for broadcast policy decisions which is not now being maintained on a regular

basis. To strengthen the policy-making and regulatory process we also recommend that groups representative of the public receive assistance so that they can more effectively participate in the development and monitoring of broadcasting policy.

To make broadcast policy effective it is essential that the CRTC should develop and pursue a compliance strategy, which will ensure that it is less costly to comply with CRTC regulations and conditions of licence than not to comply. The Broadcasting Act should continue to provide for broad CRTC powers to set conditions of licence for each licensee, including conditions that oblige the licensee to spend specified amounts for specific purposes.

PART III FRENCH-LANGUAGE BROADCASTING

Chapter 8 The Distinctiveness of French Broadcasting

We recommend that the distinctive character of Quebec broadcasting be recognized both in itself and as the nucleus of French-language broadcasting throughout Canada. We do so because French-language broadcasting has evolved differently from English and must develop within a policy framework that reflects its needs.

When this basic difference has been ignored, as in the case of pay TV and music formats for radio, the result has been to create problems for French broadcasting. Recognition of this reality has led already to a February 1986 agreement between Ottawa and Quebec to consult and co-operate in developing French television in Canada.

While French-language broadcasting has achieved great success in Canadian entertainment programming, particularly through the production of téléromans, the industry now faces important challenges. French-language viewers are subject both to the erosion of their language, with the flood of English-language channels, and the need to maintain a balance between the availability and viewing of domestic and foreign programs. While adding French-language channels addresses the linguistic aspect of the problem, if those channels were filled primarily with imported, dubbed programs, the result would be a growing imbalance between foreign and domestic programs, the same problem as is faced already by English-Canadians.

Based on the distinctive realities of French-language broadcasting we make a number of recommendations designed to address in a balanced way both the linguistic aspect of the policy issue and the need to strengthen the production of attractive, adequately-funded domestic programs in French. The recommendations include the following:

The autonomy of French-language services (radio and television) within the CBC should be recognized, and

French-language CBC should be allowed to develop distinctly from English-language CBC. The two sectors, serving distinct societies, should be allowed to take different approaches to meeting the objectives assigned to public broadcasting, without prejudice to the ultimate responsibility of the Corporation under the Act.

A public, French-language channel, Télé-Canada (TV Canada in English) should be created which will repeat existing Canadian programs and provide new Canadian programs in a number of areas, including among others, children's, documentaries and arts programs. (See also Chapter 13).

Carefully chosen specialty channels should be licensed to operate in French on the basis of both advertising revenue and a per-subscriber charge to cable system operators, and these services should be carried as part of basic cable service.

Priority carriage should be given to services in French in cable television systems that serve primarily francophone subscribers.

We are concerned about two trends in French-language broadcasting. First, there is a trend toward French-language radio broadcasters recapturing their francophone audiences by playing more and more English-language recordings. On this issue we recommend increased support for the production of sound recordings (see Chapter 16) and that the quota for French-language songs on French-language radio stations be restored to 65%.

Secondly, there are clear indications that private French-language television broadcasters are attracting their audiences to an increasing degree by showing dubbed American television shows. This is an issue which is addressed in the recommendations contained in Chapter 14 on the Broadcast Fund and in Chapter 17 on private television.

As the French-language television market becomes increasingly competitive there will be a need for budgets to be sufficient to permit the production of attractive high quality programs. Given the central role of the CBC in providing domestic-French-language television, the Task Force recommends that:

CBC French network budgets be reviewed to establish hourly production costs that reflect the role assigned to the French television network in the new television environment.

PART IV - THE PUBLIC SECTOR

Chapter 9 Principles of Public Broadcasting

The development of public broadcasting in Canada has been a pragmatic response to the conditions of Canadian life and has shown a charming lack of ideological rigour. The public sector of broadcasting now includes, in addition to the CBC, such institutions as the National Film Board (in part), the provincial broadcasting authorities, and the Broadcast Fund of Telefilm Canada. The Task Force proposes to add an all-news service, and separate new public networks in English and French.

The principles of public broadcasting should include the extension of service to all parts of the country and all groups of citizens; the broadcasting of comprehensive programming to satisfy both majority and minority tastes; the reflection of the experience of all significant groups in society in the programming; and a contribution to national consciousness by providing shared experiences and making regions aware of one another and of the country as a whole. The public broadcaster must be both free from control by vested interests, political or financial, and accountable for the use of public funds. The public broadcaster offers a diversity of views and is free from commercial restraints.

The CBC is an unusual hybrid among public broadcasters in that it depends on a problematic combination of parliamentary appropriations and earned commercial income. It is distinctively Canadian in providing services in both English and French. Since the public sector of broadcasting is the major source of Canadian programming, the question arises: How public must our broadcasting system be to be as Canadian as possible? This Report calls for a substantially expanded public sector.

Chapter 10 The Canadian Broadcasting Corporation

The broadcast distribution technologies, particularly cable and satellite, have opened Canada to an influx of American television programs. In redressing the existing programming imbalance the major burden will inevitably fall to the CBC and it is upon the CBC that we must rely for an abundance of compelling radio and television programs - by, for and about Canadians.

We have not approached our deliberations about CBC with a predetermined view that it must retrench or expand. Rather, we have tried to fit CBC operations to our vision of the national service, and to calculate the cost of achieving certain objectives. We see the CBC having both to retrench, because it no longer has to provide all the American programming Canadians want; and to expand, because much remains to be done, above all in performance programming on television, including Canadian drama, music and variety programs. Since the CBC's efforts are, at present, shaped too much by physical resources and technology and

not enough by programming we argue, not for another round of resource reduction but for a consolidation of resources, especially in the regions.

The CBC provides six main services: English television, English mono radio, English stereo radio, French television, French mono radio and French stereo radio, including both national and regional services. Of a total budget of \$1.1 billion in 1986-87, \$848 million represents CBC's parliamentary appropriation.

The Task Force reviewed the legislative mandate of the CBC and makes the following recommendations for changes:

The provisions that the national broadcasting service be predominantly Canadian in content and character, and that the service provide for a continuing expression of Canadian identity should be left intact in new legislation. The provision that the national service contribute to the development of national unity should be rescinded and replaced by a more socially oriented provision, for example, that the service contribute to the development of national consciousness.

The Act should require the CBC to cover the whole range of Canadian programming in fair proportion, while offering Canadians the best of international radio and television that is not normally available.

The Broadcasting Act should require that the national service be extended to all parts of Canada, by the most appropriate technical means, and in a way that brings the full schedules of the six basic networks as close as possible to full audience coverage. The CBC should also be allowed to develop new specialty services for both radio and television as both opportunity and Canadian audience needs dictate.

The Broadcasting Act should affirm the right of native peoples to CBC services in aboriginal languages considered to be representative where numbers warrant and to the extent public funds permit. (see also Chapter 20).

New broadcasting legislation should specify that the CBC is responsible for providing both radio and television services. The legislation should provide scope for CBC radio and television, English and French services, to develop on the basis of different program mandates, audiences and financial needs.

We examined separately the CBC's radio and television services. With respect to CBC radio the Task Force concluded that it was

essential that, at a minimum, CBC radio, which provides a unique and distinctive service, be spared any further budget cuts. Further, noting that the CBC's stereo radio services reach only 72% of anglophone Canadians and 76% of francophones, we recommend measures designed to increase the availability of the French and English stereo services to Canadians in all parts of the country.

In television the CBC's English and French networks must both be part of any renaissance in Canadian television. The net increase in programing costs to the CBC for Canadianizing its prime-time schedule is estimated at \$4 million a year for each hour of foreign programming replaced. Eliminating five hours of American programs from CBC's English network schedule would cost CBC \$20 million; the same costs apply to French television. The assumption is that the programs added would come from independent producers who would qualify for Broadcast Fund assistance.

Canadianizing CBC's schedules outside prime time would cost CBC between \$5 million and \$10 million, depending on the kind of programming used to replace foreign shows. These costs do not include the potential for a decline in CBC revenues, an issue looked at further in Chapter 29.

The CBC itself has suggested in its brief to the Task Force that it should aim at removing the remaining 5½ hours of mainstream American shows from its English weekly prime-time schedule by September, 1987. While we are in general agreement with this proposal we are concerned that it ignores other significant periods of the day, such as late afternoon when many children are watching. More important, no commitments should be made until adequate funds are available. We suggest that:

- ° The phasing-out should not aim at the elimination of all foreign programs; room should be left in the schedule for some prime-time foreign programming to which Canadians normally do not have access.
- ° The replacement Canadian programming should not necessarily be designed to imitate American shows it replaces. CBC stands to defeat the whole purpose of the exercise if their Canadian productions are nothing more than surrogates for the American fare. Yet, to win audiences from the American competition they must be of high quality and may therefore be relatively expensive.
- ° The CBC should not be bound to September 1987 as a deadline for the phase-out. Availability of both funds and programming, as well as commitments to American suppliers, might make this unrealistic. Moreover, allowance must be made for the phase-out of non prime time programming as well, which could affect the overall timetable.

The Task Force recommends that the CBC should gradually phase out the use of commercial American television programs which are readily available on other networks, but only when adequate funds are available to permit their replacement with attractive and distinctive Canadian programming.

In its submission to the Task Force CBC suggested half a dozen new projects as part of a "multi-channel" strategy, include second channels in French and English, a children's channel, a superstation to cover the United States, a closer relationship with The Sports Network and a news channel. Any strategy involving so many new satellite service seems to us extravagant and likely to fragment excessively the scarce resources available to generate Canadian programming. (See also Chapters 8, 13 and 18).

While we support the need for new non-commercial French and English channels we believe they should develop outside the CBC, but with the CBC as a participant. (See Chapter 13 on TV Canada). We reject the idea of a dedicated Canadian children's channel on basic or extended basic cable service and question CBC's proposal concerning the Sports Network.

We support the goal of making Canadian television programs available in the United States but question whether the traditional approach of selling our programs to the most appropriate American broadcasters may not be both more profitable than setting up a new channel to beam into the United States, and likely to lead to more viewing of Canadian programs in the United States. We note that even successful satellite channels in the United States have lost tens of millions of dollars before showing a profit and are concerned about how much risk the CBC should be prepared to take. We also wonder whether programming to the United States should be a very high priority for the CBC when many Canadians still cannot receive existing CBC services.

We are persuaded, however, that it is highly undesirable for Canada to continue to have available only the U.S. specialty news services -- CNN and Headline News -- since they give virtually no coverage to Canadian news and do not reflect at all a Canadian point of view. Only the CBC has a national network of stations in French and English. A CBC all-news service could provide for more substantial openings to the regions than are currently available and allow smaller CBC stations to operate on a more cost-effective basis. A CBC all-news service could also greatly enhance Canada's ability to field its own foreign correspondents, where, for example, the total number of foreign correspondents in the French-language media has dropped from 15 to four since the early 1970's.

We, therefore, support the establishing of a full CBC news channel in English, and initially a partial news channel in French. The services would be run on a self-sustaining basis with an

appropriate division of revenue between the French and English-language services. As is the case for cable networks in the United States, the news service would be supported both by advertising revenue and a small charge to cable system operators at a rate per subscriber of not more than 25¢ a month. Specifically, we recommend that:

CBC should seek from the CRTC a licence to operate an all-news and information channel, to be delivered by satellite to basic cable subscribers, and financed by both advertising revenue and a small pass-through fee to subscribers. This service should be operated by the CBC as a self-sustaining enterprise.

We came away from our consultations convinced that finding an appropriate role for regional television broadcasting is the most vexing single question in the current debate on the role of the CBC. We recommend that the following changes be made in the way that the English-language television services of the CBC are organized, in order to concentrate the CBC's resources.

The CBC's English television service should be reorganized into five regions: Alberta-British Columbia, Manitoba-Saskatchewan, Ontario, Quebec and Atlantic. Responsibility for all programming and production other than news and information, and sports - and the related facilities, management and infrastructure - should be concentrated in one centre in each region: Vancouver, Winnipeg, Toronto, Montreal, and Halifax, with each centre having responsibility to reflect its entire region. Other stations in each region should be limited to the production of news and information programs on a basis to be determined by the CBC on journalistic grounds, as well as for sports production in appropriate centres.

Every effort should be made by the CBC and other appropriate public agencies to support the upgrading of CBC's English television service in New Brunswick through the construction of new transmitters and facilities. The goal should be to ensure high quality local and regional newscasts and the widest possible availability of the full English television network service.

The principles we have applied to the English production centres would apply in the same fashion to their French counterparts, while taking into account the distinctive nature of French language broadcasting. Even though 90 percent of the French-speaking audience is concentrated in one province, the present configuration of CBC resource has meant that Quebec is

poorly served in certain regions while some other provinces enjoy better French production facilities.

On the other hand, francophones outside Quebec have complained that the CBC's programming is too tied to life in Quebec and fails to address their own concerns adequately. The Task Force believes that the reorganization it has proposed will meet the expectations of all concerned as well as respect the integrity of the CBC's French network.

The CBC's French television service should be concentrated in four centres, namely Montreal, Quebec City, Moncton and Ottawa. No major production other than news and information programming should take place in other centres. News coverage of the Atlantic provinces should be improved, out of Moncton, by opening some news bureaux in other parts of the region. Centres outside Quebec should be encouraged to provide a service more suited to local conditions.

CBC's French television service should be reorganized within Quebec. The objective should be to maintain less ambitious facilities in all program areas except news and information, which should be supported by a more extensive and equitable network of journalistic staff throughout the main regions of the province.

In order to ensure that all Canadians have access to the full CBC network television schedules we recommend that CBC negotiate with its affiliated stations to have them all phase in carriage of the full network schedule. The Corporation should also continue to generate revenue by selling commercial time on its television networks.

With respect to the CBC's use of independent as opposed to in-house producers we examined carefully this issue. We found no evidence that there were cost advantages involved in either arrangement. However, we believe that the use of both in-house and independent producers stimulates creative effort and we, therefore, recommend the following:

The CBC should pursue its policy of cooperation with private producers whereby 50 percent of television programming apart from information and sports will eventually be independently produced. It should be understood that the goal is the creation of a diversity of genuinely Canadian programs, not merely pursuit of an industrial policy aimed at fostering the growth of the production industry.

We have recommended that CBC's responsibilities be clarified and this new mandate will involve substantial costs. This is

occasioned in particular by the renewed emphasis we feel must be put on Canadian programming.

At present the CBC is given funds by Parliament to carry out certain national policy objectives, as established by Parliament. But it is up to the CRTC to set all the detailed conditions of licence which determine the operational means by which the CBC realizes these Parliamentary objectives. While the CBC is held financially accountable through a number of processes, our consultations and research have indicated that the present system is not working.

The existing arrangements which are intended to ensure that CBC is effectively accountable to Parliament, the government, the CRTC and the public are in many ways unsatisfactory. A particular problem is the fact that when the CBC goes before the CRTC for the renewal of its licence for the next five years, it has received no indication that the funds required to carry out its five-year plan are available. One result is that a profound sense of unreality now surrounds the CRTC's licence renewal process and any conditions the CRTC may attach to the CBC's licences. In these circumstances, public scrutiny of the CBC, which occurs in no other public forum, is rendered far less valuable and effective.

We believe the system should be changed as follows:

The CBC licence renewal process should be preceded by a statement from the government on the extent of funding it intends to provide over the pending CBC licence period. It should also be preceded by the CBC's plans for the licence period, including its promise of performance to the Commission. On this basis, as well as the public comment provided through a full licence renewal hearing and its overall view of the content of the Canadian broadcasting system as a whole, the CRTC would then attach to the CBC's licence such conditions as it deemed appropriate.

Chapter 11 Provincial Broadcasting

Provincial governments played only a marginal role in the first half century of broadcasting. Since 1970, provincial public broadcasters have become increasingly important. The Task Force believes the participation of provincial public broadcasters is essential to satisfy the regions' legitimate demands for participation and representation in the broadcasting system.

Today Radio-Québec, TVOntario, Access Alberta and, on a more modest scale, British Columbia's Knowledge Network of the West are making a substantial contribution to Canadian broadcasting providing educational, cultural and regional services. The Atlantic provinces have begun to develop educational programming.

Manitoba provides an hour of educational programming each weekday on a Winnipeg private station. Saskatchewan has announced plans for the Saskatchewan Communications Advanced Network (SCAN) which will deliver educational and other programming over the province's fibre-optic and coaxial cable network.

Federal policy against licensing provincial broadcasters was based on exclusive federal jurisdiction in broadcasting. The provinces overcame it by asserting exclusive provincial jurisdiction over education and the need for educational programming. The Clyne Committee recommended in 1979 that the federal government drop the pretence that provincial broadcasters should be limited to educational programming.

The Task Force recommends that the CRTC should continue licensing provincial public broadcasters but that the provinces should determine the nature of such broadcasting. The federal government should negotiate agreement that all provincial broadcasting be under the general regulatory structure of the CRTC. Provincial public broadcasters should, like the CBC, be at arm's length from government; at licence renewal the provincial government should outline to the CRTC its expectations of the provincial broadcasting system and propose adequate funding.

Provincial broadcasters should have priority carriage on cable systems. The CRTC should consult with appropriate provincial authorities before licensing services that might compete with educational services in the province. Provincial broadcasters should be able to participate in national and regional networks and continue to have access to the Broadcast Fund and other incentives to production of Canadian programs.

Chapter 12 The National Film Board

The National Film Board has an anomalously insignificant role in Canadian television programming compared with its capacity to contribute. In a Canadian world starved for quality Canadian programs, the NFB has proved it continues to have a strong and distinctive contribution to make.

While the NFB's mandate to interpret Canada to Canadians has led it often into a controversial advocacy role in its films in order to stir thought and understanding, this should not be seen as contrary to the 'journalistic standards' of the CBC, which should seek balance of viewpoints over time rather than in every single program.

The NFB should be seen as a significant contributor of social-issue documentaries and children's and educational programs to the proposed TV Canada network. The NFB should be encouraged to continue its strong regional role, developing local talent to make films for television. Studio D, the women's arm of the NFB,

a world leader in film treatment of social issues by women, should be seen as an important player in the NFB's contribution to TV Canada.

Chapter 13 TV Canada

There are many important television programming needs that are not now met adequately and that we cannot foresee existing broadcasting services satisfying in the future -- including those of the regions, those of children or youth, or those with a preference for arts programming and documentaries.

Both French and English speaking Canadian children are inadequately served by our broadcasting system. While the National Film Board has over \$35 million to fund production in 1986-87, little of that production is likely to become available to Canadians on television, particularly in the mid-evening hours when most Canadians could watch. There are rarely chances to see the Canadian programs produced by existing broadcasters a second time. After decades of television in Canada the creative potential we are convinced resides in each of our regions remains substantially underdeveloped. All these factors argue that it is time to create new French and English-language channels specifically to develop the resources which are now inadequately linked to television, and to meet long-neglected programming needs.

In the debate about centres of excellence versus a more decentralized model for Canadian production the Task Force believes there is no need to choose sides. A sound broadcasting policy and structure for Canada will provide for Canadian programming done both in the main centres like Montreal and Toronto and in the less populous regions. The real issue is one of balance. There is production talent in smaller centres now and it should be developed. However, the trend in recent years has been toward less rather than more access to network schedules for regional productions, with whatever is produced in the regions too often available in low viewing periods and rarely seen outside its own area.

The Canadian broadcasting system seems to have been biased against regional production. The Task Force believes there are opportunities to adjust the balance. A number of provincial governments have already begun to support their resident production communities in an effort to develop the existing potential. Such measures need to be complemented by federal initiatives.

The Task Force proposes that new public sector satellite-to-cable television services be created in both French and English to meet the programming needs identified. The services would be carried on basic or extended basic service in all systems which now offer

discretionary services such as the movie channel or MuchMusic to their subscribers. Payment would be made through a direct charge to cable system operators, with the service beginning at a charge of 75¢ per subscriber and rising by 25¢ annually to a maximum of \$1.50.

A study of cable rates prepared for the Task Force by Moss, Roberts and Associates Inc. concluded that, based on the rates in effect in November, 1985, rate increases of as much as \$2.00 would have little effect on subscriber levels. In a cable operator survey carried out in 1985 for the Canadian Cable Television Association's Project 90, operators were asked what rate increases they thought could be made without any loss of subscribers. The operators' consensus was that immediate increases of \$1.50 would be accepted without difficulty, even if no additional services were being added. In part this reflects the fact that in constant dollars the cost of cable service declined by 22 per cent between 1972 and 1984..

Based on our analysis of the deficiencies in the present broadcasting system and the evident capacity of the cable industry to contribute in a significant way to meeting the objectives of Canadian broadcasting policy, we make the following recommendations:

Canada needs a new non-commercial, satellite-to-cable television service in the public sector, in English and French, with a programming emphasis on regional production, programs for young people, performing arts, documentaries and the best programs shown by other Canadian broadcasters. The French, but not the English, network would also carry news and information programs. The government should convene a meeting of public broadcasters from the federal and provincial levels, together with the National Film Board, to consider the establishment of such a service under a board of directors representative of the interested parties.

Funding should be through a charge by the new service to cable system operators based on a per-subscriber rate, with the cost reflected in appropriate adjustments to cable rates.

The headquarters of the English and French networks of the new service should be in centres other than Toronto and Montreal. All cable systems which offer discretionary pay television services should be required to carry the new channel on the basic service in the language of the majority population served, and to make it available, where appropriate, in the minority language.

Chapter 14 The Broadcast Fund

In setting up the Broadcast Fund as part of its 1983 broadcasting strategy, the government chose to use public funds to compensate for the limited licence fees earned in Canada. Licence fees are the payments broadcasters make to producers for the right to telecast their programs. While producers in most developed countries earn the lion's share of their production costs from domestic television licence fees (ranging from 75% to 100%), independent producers in Canada rarely recover 20% of their costs from sales in their home market.

The Fund is administered under the Canadian Film Development Corporation Act, 1966-67, which does not provide a mandate from Parliament for the operation of the Fund. Instead, under the terms of a Memorandum of Understanding between the Minister of Communications and the CFDC, the Fund provides support to private producers to produce programs in the categories of drama, variety and children's programming, and, since 1985, performing arts programs and documentaries.

The strategy of which the Fund was a part called for the CBC to increase its prime time Canadian programming from 70% in 1983 to 80% in 1988, mainly through the purchase of private productions supported by the Broadcast Fund. In addition, for private broadcasting, the 1983 policy announcing the Fund stated that "Precise targets in each program category will be defined and the responsibilities of particular broadcasters with respect to hours and quality will, of course, be defined by the CRTC." The CRTC itself had announced earlier, in January, 1983 that it would use conditions of licence for individual broadcasters to ensure that in the future they made a contribution to Canadian programming, particularly in the drama category, that was commensurate with their resources.

While the Fund successfully stimulated over \$156 million worth of production, by the end of 1984 production had stalled. Facing budget restrictions the CBC froze its participation in the Fund. With private broadcaster support disappointingly low Telefilm was projecting that it would have \$33 million in unspent funds at the end of March, 1985 -- fully 40% of the money available to the Fund.

In this atmosphere of concern the guidelines for the Fund were revised to permit a higher contribution by the Fund to particular kinds of productions. Although production resumed one thing did not change. As Telefilm Canada advised the Task Force "Total financing available from eligible Canadian broadcasters -- both in the form of licence fees and equity -- has averaged only 15.6% overall, and only 14.9% to date in 1985-86."

In its brief to the Task Force Telefilm concluded that "only by making fundamental changes . . . will Canadian producers have a chance to succeed financially as well as they do creatively," and recommended that Canadian licence fees increase to cover 50% of the cost of production. Telefilm was also concerned with the amount of air time being made available for Broadcast Fund projects, as were the private producers themselves.

The Task Force shares the view that the present pattern of financing of independent production is unworkable. We are equally convinced that there is an urgent need to clarify, in policy terms, and to indicate in the enabling legislation under which Telefilm operates, what ultimate goals the Broadcast Fund is intended to serve.

Our recommendations concerning the Fund include the following:

The Broadcast Fund should be extended beyond the 1988 expiry of its first five-year term. One third of the support should continue to go toward French-language programming.

Legislation should be passed formally establishing Telefilm Canada as an arm's length agency of government and providing it with a mandate on which to base its administration of the Broadcast Fund. The legislation should make it clear that Telefilm Canada's support for television programs has as its primary objective the furthering of the goals of the Broadcasting Act through increased production of television programs made under the creative control of Canadians and primarily for Canadian television audiences, both popular mainstream and minority audiences.

The guidelines for the operation of the fund should be designed to help achieve the goal of developing a sound domestic market for indigenous production. Broadcast Fund involvement in television production should change so that by the end of 1987-88 support will be provided principally in the form of matching the licence fee payments made by Canadian broadcasters. (This recommendation is linked to our recommendations concerning the CBC and to our proposals concerning private broadcasting, including those related to the conditions of licence established by the CRTC for private broadcasters.)

By the end of 1987-88, support from the Fund should be provided principally to programs made primarily for Canadians by Canadians, and based on the expectation that such productions must recover most of their revenues in the Canadian market.

PART V: THE PRIVATE SECTOR

Chapter 15 Public Policy and the Business of Broadcasting

The private sector has the dominant share of audiences and financial resources in both radio and television. Private broadcasters recognized in their representations to the Task Force that they have Canadian programming responsibilities in return for holding a licence to use the public airwaves; but the question has always been the balance that should be struck between their private needs and their public responsibilities.

In Chapter 6 the Task Force sets out what it believes should be the objectives of the broadcasting system, to which private broadcasters should contribute. The CRTC would be expected to establish for each component of the system requirements designed to achieve those objectives.

As a business, broadcasting is the largest of the cultural industries. Radio, television, and cable have a combined turnover in sales and subscriptions of well over \$3 billion a year. The broadcast media are in the business of selling audiences to advertisers; they are even more dependent than the mass print media on advertising. Cable and more recently satellites have been major influences on the business development of broadcasting, introducing among other things payment for programs by subscription, a small but growing part of industry revenues. Private and public sectors overlap: for example, some private stations are affiliates of the CBC; and CBC television, like the private stations, carries advertising.

Chapter 16 Private Radio

Private radio is a more important industry in relation to private television than might be expected -- its turnover of \$559 million in 1984, almost entirely in advertising sales, was equal to almost two-thirds of the turnover in the private television industry.

The gains of FM radio, largely at the expense of AM, were reflected in the fact that FM's share of radio industry revenues went from 7 percent in 1974 to 25 percent in 1984, and its share of pre-tax profits was almost 50 per cent in the latter year. In order to favour the continuance of AM, the CRTC allows it an omnibus programming schedule while restricting FM to specialized roles and one of four program formats in popular music. The CRTC allows AM 250 minutes of advertising a day, FM only 150 minutes. About half of the country's radio stations with the largest audiences are still AM, which is considered to have an important role in news and information programming.

Radio has become more dependent on local advertising, less on national, in recent years, but is facing stiffer competition for

local advertising from television and daily and community newspapers. French radio stations earned only 18.2 percent of industry advertising revenue in 1984, which was in line with the proportion of French stations in the country but below the proportion of Canadians who usually speak French in the home, 24.6 per cent. The French AM percentage of ad revenues was 16.9, the FM 22.

The largest single share of expenditures in the radio industry, 36 per cent, goes to programming. Other shares are overhead and administration, 33; sales and advertising, 25; and technical expenses, 5. By contrast, in television 60 per cent of expenditures goes to programming. In fact, radio's success is dependent on relatively inexpensive programming — about 50 percent of it recorded music.

The profitability of radio stations declined after 1974, especially during the recession, but picked up again in 1984. Smaller stations were hardest hit. Radio is an industry of winners and losers: the 261 reporting units with profits in 1984 had profits totalling \$69 million, or 17.6 percent of revenue, comparable to television. But the 176 losing stations had combined losses of \$45 million.

Radio industry representatives appearing before the Task Force did not, on the whole, want deregulation or release from Canadian content rules, but they wanted less burdensome regulation. The Task Force believes the CRTC's general approach and objectives in private radio make sense. It does not want radio to be everywhere standardized and homogeneous, playing to the lowest common denominator as established by regular audience preference surveys. In a deregulated system a number of smaller and more specialized stations might go to the wall. But the Task Force hopes regulation can be less cumbersome. The Task Force therefore recommends:

Continued regulation of radio is necessary to ensure diversity, and to promote the use of Canadian creative and journalistic resources. Regulatory tools should be flexible and — through conditions of licence — appropriate to the resources and operating environment of each licensed radio station and network.

The economic impact of removing the protection accorded to AM stations could be devastating. By implementing cultural diversity on FM, the regulator has allowed AM to survive but perhaps retarded the growth of FM. Policy should not continue to be based on protecting AM if it appears to be declining as a commercial medium. The Task Force recommends the status of AM be reviewed periodically.

The Task Force favours retention of the music formats for FM, believing that without them there would be duplication of services and minority tastes would be neglected, if not forgotten altogether. But the formats should be kept in line with current tastes.

The Task Force recommends lightening the regulatory burden on FM, however, by dropping present blanket requirement for spoken-word programming, and instead using conditions of licence to work out a satisfactory arrangement with each broadcaster. Various categories of regulation should be made more flexible for radio stations in smaller markets where many are experiencing great financial difficulties. Greater use of Canadian network programming, providing more economical content to groups of stations, should be allowed, provided Canadian content rules are established and observed.

In order to assure an adequate supply of Canadian recordings to meet the Canadian content quotas, which the Task Force believes should be retained at their present levels on both AM and FM, it is recommended that the CRTC require stations to contribute, in accordance with their means, to the funds supporting English and French record production, FACTOR-CTL and MUSICACTION respectively. The Task Force also urges that Canadian production of recordings of classical music and other types of music for minority tastes, such as jazz, ethnic, folk, and native Canadian music, receive a greater share of public support.

The Task Force recommends that maximum minutes of advertising for radio stations should be set on a monthly, rather than weekly, basis to give them more flexibility. Cable operators should be required to carry all local AM and FM stations and any FM subcarrier, and be prohibited from carrying American FM stations, with the exception of public broadcasters. The requirement to keep program logs should be lightened. The Task Force emphasizes that its recommendations relating to radio are in the nature of fine-tuning since it does not believe radical change at the present time would foster better service.

Chapter 17 Private TV

Private Canadian television stations including CBC's affiliates, accounted for 53% of English-language television viewing in 1985, and for 62% of French-television viewing. From an economic point of view television is an indispensable advertising vehicle for Canadian business and an important source of employment. Compared with private radio, private television breezed through the recession, with television broadcasters continuing to show a high level of profitability.

Most viewing of private Canadian stations in English television is of foreign programs, ranging from 73% of viewing of independent

stations in 1984 to 54% of viewing of private stations affiliated to CBC. In French-language broadcasting just under half of all viewing of TVA's affiliated stations was of foreign programs, while only 40% of viewing of CBC's French affiliates was of foreign programs.

The CRTC has in the past been sharply critical of the contribution made by private broadcasters, particularly in English Canada, to financing and exhibiting Canadian programs, in categories such as children's programming or drama. Although in recent years the creation of the Broadcast Fund has begun to improve that performance, we believe it is fair to ask them to do more and to do more in a continuing and systematic way.

Over the past 15 years the important television audience developments have been the jump of from 3% to 11.5% in the share of total TV audiences achieved by independent Canadian stations and the large decline in viewing of CBC's private affiliates - from 22% to 9%. The American stations available in Canada also increased their share from 19% to 24%. Viewing of CBC's own English stations declined by 4 percentage points, while both CTV and TVA were remarkably successful in maintaining their share of TV audiences throughout this period. Since 1980 a new equilibrium seems to have been established. Viewing share figures for commercial broadcasters indicate the way the money in the system will be divided.

In constant dollars the revenues of private television grew at a compound annual rate of 4.6% between 1979 and 1984. The revenues of independent stations grew fastest, at 7.4%, followed by CTV affiliates at 6%.

In the year ended August 31, 1985 the CBC and private broadcasters combined spent just under \$1 billion on television programming. Private broadcasters spent \$292 million on Canadian programming, while CBC spent \$540 million. Of the \$165 million spent on foreign programs, private broadcasters accounted for \$142 million or 86%. The patterns are quite different in French and English television.

Most expenditures on foreign programming go to purchase entertainment programs, mainly TV series and feature films. By contrast, in private English television in particular, the vast majority of expenditures for Canadian programming go to news, information and sports programming.

In 1985 private English television broadcasters spent over seven times as much on foreign feature films and TV series as on Canadian programs in these categories, \$110.3 million by contrast with \$17.6 million. In French television, 57% of expenditure in these categories was for Canadian programs.

In English television, independent stations spent far more of their revenue on foreign programs than CTV and its affiliates, 27% by comparison with 15%, and far less on Canadian programming, 51% by comparison with 69%. Independent stations spent 14 times as much on foreign TV series as on Canadian, by comparison with CTV and its affiliates, which spent almost three times as much.

These expenditure patterns are also reflected in the degree to which independent stations attract viewing to their Canadian programs by comparison with CTV and its affiliates. Only 27% of all viewing of independent stations is of their Canadian programs, by comparison with 37% for CTV's affiliates.

Margins of operating income and profit before taxes have remained high and stable over the past 10 years. Pre-tax profit ranged between 17 percent and 20%.

Television is primarily not a local but a national medium. The key to national programming is effective Canadian network structures or other mechanisms which would enable production resources to be aggregated at the national level in both French and English broadcasting.

In Canada, although most stations operate as network affiliates, the flow of advertising revenues into network organizations is relatively limited. In 1984, just 22 percent of the Canadian industry's total advertising revenues of \$970 million flowed into network structures, by comparison with 45 percent in the United States. If Canadian networks had had the same share of advertising revenues as their American counterparts, they would have had revenues of \$454 million, more than double their actual \$215 million.

The Canadian industry can get away with the current lack of aggregation of resources because, unlike its American counterpart, it has available the option of buying foreign programs. If private television is going to begin to make a commensurate contribution to financing prime time Canadian entertainment, the resources of the industry will have to be pulled together at the national level to a much greater degree than at present. In present circumstances it is hardly surprising that the main burden of producing Canadian programming nationally has been borne in both French and English by the CBC networks.

While the CTV and TVA stations have made a significant contribution in the program areas in which they have been active, the contributions of the private networks have been distinctly limited. The CRTC decides whether to licence stations to operate as independents or as network affiliates and must approve the terms of affiliation between networks and their affiliated stations. Those affiliation agreements determine how both

broadcast time and commercial revenue will be split between networks and their affiliated stations.

While the performance of the CTV system (network plus affiliated stations) compares favourably with that of independent stations, the difficulty the network has in acquiring a sufficient share of revenues and air time to provide a strong national service with substantial Canadian programming has been recognized since the 1965 Report of the Fowler Committee on Broadcasting. The study the Task Force commissioned on radio and television news, for example, noted that "The difficulty of acquiring funds from the member stations has been a constant theme in the development of CTV news and current affairs programming."

The CTV network is owned and controlled by its principal affiliated stations. The affiliation agreement provides for the affiliates to make available to the network just over 36 hours a week of "regular network sales time", including just 12 hours weekly between 7:00 p.m. and 11:00 p.m. The remainder of the network's minimum of 60 hours is available to the network as "special network sales time", which includes specials, continuous news coverage, and sports.

Of the \$68.3 million that the CTV network and its affiliates combined spent on TV series and feature films, \$54.1 million, or 79%, went for the purchase of foreign programs in the year that ended August 31, 1985. In that same year only \$14.2 million, or 3.4% of the total revenues of CTV and its affiliated stations, went into investments and licence fees for Canadian feature films and television series, although that type of programming accounts for the majority of television viewing.

Within the CTV system the operations of CTV's owner affiliates have expanded into a complex structure of potentially conflicting interests. At the level of the affiliate stations and the network, the owner affiliates themselves decide, subject to CRTC approval, how large a share of the network's advertising revenues should stay with the network, where it might be spent on developing Canadian programming, and how much should go to the stations, where it may either enhance their profits or be used to develop other interests. Similarly, the affiliate owners decide what time slots to allocate to the network. These decisions determine the balance between network earnings of national advertising revenues and the earnings of the affiliated stations.

Any effective CRTC policy for CTV must consider the network and the affiliates together as a single entity. We, therefore, recommend that:

The CRTC should consider the licence renewals of the CTV network and its affiliated stations at the same time, and should thoroughly review the structural and

financial relationships between the network and its affiliates to ensure that these arrangements permit the entire CTV structure to make an appropriate contribution to the broadcasting system, including the acquisition and exhibition of Canadian performance programming.

The independent stations are growing more rapidly than any other part of the Canadian television system, and their advertising revenues in 1984 were 31 percent of the English TV total. However, the licensing of more and more independent stations seems to be the policy least likely to achieve the goal of attracting larger audiences to Canadian programs. The Task Force believes that the conclusion is inescapable that the less the private TV industry is organized into effective structures for aggregating resources, the less the industry will contribute to restoring reasonable balance between Canadian and foreign programming. We recommend that:

CRTC policy should be designed to enhance the aggregation of the resources of those English-language television stations that are outside the structure of the CBC and CTV networks, in order to stimulate the development of domestic performance programming.

At present the ability of private English-language broadcasters to contribute to meeting Canadian programming objectives depends to a substantial degree on Bill C-58 and the CRTC's policy on simultaneous program substitution. While the advertising revenues of Canadian TV broadcasters are less than half the per capita revenue level of their counterparts in countries such as the United States or Australia, even at these levels a research study prepared for the Task Force found that at least \$89 million, or about 9% of the Canadian industry's total revenues depended on Bill C-58 and simulcasting.

In the present circumstances we recommend that Bill C-58 and simulcasting continue in order to enhance the capacity of private broadcasters to contribute to achieving the goals of Canadian broadcasting.

Linked to our analysis of the impact of independent stations, we examined the impact of policies which would encourage the carriage of distant stations into local markets. We conclude that policies which will transform local independent stations into regional or national superstations should be avoided and that the CRTC should continue to recognize the importance of local television programming.

On the crucially important issue of the way in which the CRTC regulates Canadian programming on television we believe there is an urgent need for change, along lines which the CRTC itself

developed as a result of the Commissions's review of the Canadian content policy which began in 1979. We recommend the following:

The CRTC must ensure that its definition of a Canadian program will result in Canadian performance programming that reflects the objectives of Canadian broadcasting policy.

The CRTC should, for conventional off-air broadcasters, maintain the requirement that 60 percent of all programming and 50 percent of the programming scheduled between 6 p.m. and midnight must be Canadian. It should adopt a minimum 45 percent Canadian content quota for private broadcasters in the evening viewing hours from 7 p.m. to 11 p.m.

The CRTC should ensure that the productions private broadcasters telecast to meet their Canadian content requirements are of high quality and include a substantial proportion of programs in the categories now most inadequately represented on private Canadian television.

Private television stations and networks must be required to commit greater resources to Canadian programs. The CRTC should use conditions of licence to require that stations and networks make expenditures for internal production of, or acquisition of, the right to exhibit Canadian programs consistent with their financial and other resources.

Chapter 18 Pay-TV and Specialty Services

Cable systems have taken on a new role in the past decade, first in the United States and more recently in Canada, as the affiliates of satellite programming networks. Canada has three options in satellite-to-cable broadcasting, similar to those in conventional television: (1) direct import from the U.S., (2) Canadian services that combine both American and Canadian content, (3) public services with an essentially Canadian programming mandate. Under the first option, the CRTC has authorized 16 American services for distribution in Canada. Under the second, a small number of Canadian pay and specialty services have been licensed. The Task Force is recommending that the third option also be exercised by creating a CBC satellite-to-cable news network, and the English and French TV Canada and Tél -Canada satellite-to-cable networks.

In Canada pay services are those whose entire cost is borne by subscribers, while specialty services are partly financed by subscribers on a discretionary tier, partly by advertising. In the United States, the equivalent of specialty services often have

broader programming mandates than in Canada, also carry advertising, but are usually part of the basic service provided to pay-TV subscribers.

Pay and specialty services, which started in 1983 in Canada, command less than three per cent of viewing. Despite the lesser penetration of cable systems in the United States, where they started in the early 1970s, they comprise 14 per cent of viewing (1985): 6 percent to pay services (no advertising), 8 per cent to cablenets, the rough U.S. equivalent of specialty services in Canada.

The launching of pay-TV in Canada was a disaster, owing to the "system overload" foreseen by two dissenting members of the CRTC at the time of licensing. In 1984 the services were rationalized into three non-competing groups -- east, west, and French -- and later entered a packaging agreement with the music and sports specialty channels for a common subscription fee.

The Task Force does not make a precise recommendation on the issue of Canadian content on pay services. However, the Canadian content regulations should reflect the contribution pay operators can make as their revenue base expands as well as the impact of the recently created Canadian Feature Film Fund. The Task Force recommends that conditions of licence for pay television should ensure exhibition of most Canadian feature films, especially since pay now operates as a monopoly. It also recommends that the CRTC should continue to prohibit the importation of American services that would directly affect the viability of the Canadian movie channels.

In the case of the specialty services, the Task Force agrees with the judicious approach taken by the CRTC, which initially required that such services be of a specialized nature -- news, music, sports, health information, and so on -- rather than general programming, and has limited their carriage to a discretionary tier, in order to minimize their impact on conventional television, which was to be asked to contribute more to Canada programming. In English television only, we recommend that:

Pending any radical restructuring of the present cable tiering system, Canadian specialty services should remain on a discretionary cable tier and the carriage of competitive signals from the U.S. should be prohibited. Cable carriage should be arranged at time of licensing between the satellite service and cable operators with the CRTC acting as arbiter in cases of failure to reach agreement.

Our recommendations concerning the carriage of French-language programming appear in Chapter 8.

PART VI THE COMMUNITY SECTOR

Chapter 19 Community Broadcasting

Community broadcasting is an essential third sector of broadcasting, complementing the public and private sectors. Community radio and television stations open the possibility of greatly increased access to broadcasting.

Community radio broadcasting can be broken down into four categories: Québec, where it is most advanced thanks to provincial government support; Native Peoples and northern areas, which have support from the federal government; student broadcasting on university campuses; and community radio broadcasting in provinces other than Québec.

Community programming on radio and TV tends to concentrate on local interests, including coverage of municipal councils and school boards, public interest groups and hobby groups, local lore, history, and natural surroundings, amateur sports, drama and other performance groups, and so on.

CRIC guidelines over the past 15 years have stressed the non-profit, voluntary nature of community broadcasting and the necessity of involving the community in programming. Limited advertising has been allowed on community radio and certain types of advertising will now be allowed on community television. Subscriptions and fund drives are also important in financing community broadcasting. Quebec is the only province with a program of support. The federal government has a number of programs from which community broadcasting can derive support. Cable operators give varying degrees of financial support to community TV programming. Voluntary labor is perhaps the most important element.

The Task Force believes the community sector should play an increasingly important role as a forum of community expression and a primary means of access to the broadcasting system for ethnic, cultural and minority groups.

The Task Force recommends that the Broadcasting Act recognize community broadcasting as a distinct component of broadcasting. The CRIC should licence voluntary TV associations as community programmers and oversee their relations with cable operators. It should also keep a record of cable company contributions to community channel programming.

The licences of community broadcasters should recognize the principle of fair access for various ethnic, cultural, interest or opinion groups. French and English minority community broadcasting associations should have access to local CBC transmitters on the same basis as Native Peoples' groups in the

north. The Task Force commends the Quebec example of aiding community broadcasting. Community broadcasting cannot achieve the level of public service it should without additional funding. The Task Force recommends that the federal, provincial and territorial governments consult on appropriate measures to develop the community broadcasting sector.

PART VII MINORITY BROADCASTING

Chapter 20 Native Peoples

While the aboriginal rights protected by the Constitution remain to be clarified, they are certain to include the protection and enhancement of native languages and culture. Broadcasting plays a major role here. The reaction of the native peoples to the CBC's accelerated coverage plan of 1974, and to their inundation by southern television, fostered by satellite transmission, demonstrated the need for radio and television suited to their own social and cultural needs.

In 1981 the CRIC licensed a federally subsidized Inuit television network and a radio network sponsored by Yukon Indians and the Dene. In the same year, it received commitments from the new Canadian Satellite Communications (CANCOM) service to distribute native programming, commitments which have been only partly fulfilled. In 1983, under the government's Northern Broadcasting Policy, the five-year Northern Native Broadcast Access Program (NNBAP) was established. It aids 13 independent native radio and television broadcasting societies, producing mainly native-language programs for audiences totalling 200,000 in the two territories and the northern regions of seven provinces.

Although network broadcasting is growing, community radio remains the mainstay of native broadcasting, with scores of community radio stations, including those supported by the Quebec government, spread through the country. The CBC Northern Service is the only conventional broadcaster producing significant amounts of native-language programming or native-oriented programming.

Native people in many parts of Canada are determined to rejuvenate their languages and cultures through broadcasting and other institutional measures. The Task Force recommends:

The Broadcasting Act should affirm the right of native peoples to broadcasting services in aboriginal languages considered to be representative where numbers warrant and to the extent public funds permit.

The Task Force also recommends that the CBC establish a separate aboriginal language service, just as there are French and English language services. At the same time, independent native

communications societies should be an integral part of the broadcasting system with an equally important role in production.

As a first step toward enabling native broadcasters to improve their ability to reach audiences at convenient times, the Task Force recommends that the CBC Northern Service and the northern native communications societies should share a dedicated satellite transponder. This would be partly funded by an increased allocation to the NNBAP. CANCOM should be urged to fulfil all its commitments toward distribution of native programming. A program of study and consultation is needed to determine the needs of native peoples in southern Canada who have not benefited from existing programs. The Task Force also recommends:

Native-language broadcasting should be administered at arm's length from the federal government and should be provided with sufficient funds to cover the cost of all essential related activities such as training. Furthermore, until there are new administrative arrangements, we recommend that no further cutbacks be made to the NNBAP and funding for production training.

Chapter 21 Official-language Minorities

Few gaps remain to be filled in extending the national services of CBC to the 800,000 French minority outside Quebec and the 700,000 English minority inside the province. But the official-language minorities, like other Canadians, have regional and local attachments. Their main problem in broadcasting, and this applies chiefly to the French minority, is that there is too little local and regional input to programming, too little recruiting of local people for program production.

The English minority in the Montreal area has more broadcasting services in English than francophone Quebecers have in French; and the English minority outside Montreal has more services in its own language than the French minorities outside Quebec. They are nevertheless concerned that there should be no diminution in these services.

The Task Force makes a number of recommendations in chapters dealing with French-language broadcasting and community broadcasting to improve the official-language minorities' access to broadcasting. The expansion of satellite services should continue to make more national programming in the official languages available to the minorities.

Chapter 22 Multicultural Minorities

The origins of today's considerable range of multilingual and multicultural broadcasting lie in strong immigration after World War II. By 1958, 54 radio stations were carrying varying amounts

of programming in languages other than English and French. Further inputs to multicultural broadcasting, and a broadening of the concept, came with the federal policy of cultural pluralism in 1971 following the Report of the Royal Commission on Bilingualism and Biculturalism.

Third-language broadcasting developed in the private sector as a commercial response to demand. After 1971, the CRTC set out policies and guidelines to encourage multicultural broadcasting, which gained new opportunities with the spread of cable and the possibility of using subcarrier frequencies. After hearings on ethnic broadcasting in 1984-85, the CRTC published A Broadcasting Policy Reflecting Canada's Linguistic and Cultural Diversity in July 1985.

The new policy, a landmark for cultural minority audiences, is particularly significant for recognizing the importance of multicultural programming in English and French, as well as in third languages. This stresses the importance of recognizing multiculturalism not just in services to people in their own language of origin, but in fully reflecting in mainstream broadcasting the diverse makeup of the one third of the population that is not of British, French, or aboriginal origin.

While the Task Force does not believe that the CBC should be responsible for broadcasting in languages other than French, English and aboriginal languages, it recommends that CBC should establish a policy of multiculturalism and cultural programming objectives in order to do a better job of reflecting Canada's cultural heritage. The Task Force agrees with representations made to it that formal recognition should be given to multiculturalism in broadcasting and recommends that:

The Broadcasting Act should make reference to the need for programming reflecting the principle of multiculturalism in a bilingual society.

It endorses creation of a National Committee on Cultural Diversity in Broadcasting as a vehicle for promoting multiculturalism, as proposed by the Minister of State for Multiculturalism, supported by the Minister of Communications and the CRTC. The Task Force believes some improvement in the depiction of minorities can be achieved through education, public awareness and consultation. The Task Force believes that one of the most practical measures in combating ethnocultural stereotyping and ethnocentrism is to increase minority representation at all employment levels in the industry.

The Task Force recommends an amendment to licensing rules that would enable minority groups using leased distribution facilities to take responsibility for their programming rather than leaving responsibility, as at present, with the distributor. The Task

Force also recommends reducing Canadian content requirements for multicultural programming, which is difficult to provide from Canadian sources.

PART VIII DISTRIBUTING THE PROGRAMS

Chapter 23 The Evolving Distribution System

Cable television, which developed outside the scope of copyright law, spread in Canada principally to carry the three American commercial networks and the public broadcasting network -- the 'three-plus-one' -- to Canadian households. The doubling of cable penetration in Canada between 1970 and 1975 reflected a CRTC decision to allow the three-plus-one to be imported by microwave to cities distant from the American border.

Major cable advance in the United States, on the other hand, came with the development of satellite-to-cable networks offering additional programming services. In 1985, cable reached 40 percent of U.S. households, 62 per cent of Canadian.

The challenge still to be met in Canadian cable is the cultural one. Canadian households with cable are not offered an adequate range of well-funded programs made by and for Canadians. With the importation of American channels the programming provided by cable is predominantly American by a wide margin, particularly in prime time. The effect of cable on francophone viewing habits was examined in Chapter 8.

Copyright continues to be a critically important factor in the evolution of the distribution structure of Canadian broadcasting. There can be little question that cable and satellite services would have developed differently if copyright protection had extended to the retransmission of signals.

Chapter 24 Cable Systems

Canada is the second most cabled country in the world, with 62% of households subscribing in 1985. The high penetration level was achieved almost entirely through the sale of basic cable television service. Cable penetration in Quebec, however, has followed a quite different pattern from that of English Canada.

The cable industry operates on the basis of territorial monopolies. Subscribers can only buy from the cable company that serves their street.

In this chapter we review the state of the cable industry and consider the policy and regulatory framework. Cable television revenues grew very rapidly between 1974 and 1979, although the rate of growth slowed over the following five years. Slower growth after 1979 reflected in part the maturing of the industry,

as well as the 6, 5 and 4 percent limit on rate increases allowed cable companies under the federal anti-inflation guidelines which came into effect in June, 1982.

Cable revenues and profits depend essentially on the rates approved by the CRTC. The cable industry study prepared for the Task Force by Moss, Roberts and Associates Ltd. drew attention to "the lack of any formalized, explicit policy for rate setting and the rather arbitrary system which results."

The cost of basic cable service in real terms was 22% lower in 1985 than in 1972. The Moss, Roberts study indicated that rate levels for basic service were "relatively price insensitive at least up to monthly rates of \$12.00." At that time the average price was \$10.02, roughly \$2 lower.

The Task Force examined the question of whether cable was to some degree underpriced in order to assess the effect of any charges which would add to basic service costs. In the United States most of the expansion of basic cable channels available to subscribers has been the result of new satellite-to-cable networks, which in most cases are supported by a combination of advertising revenue and a monthly charge to the cable system operator that ranges from \$0.01 to \$0.30 a month per subscriber. In this Report we recommend the creation of two such services, TV Canada and a Canadian all news channel, the latter in English only. In French broadcasting we also propose that on a selective basis a very limited number of French-language satellite-to-cable channels be licensed for carriage on basic service, with financing through advertising and a per subscriber charge. Our analysis indicates that these initiatives can be accommodated comfortably by the cable industry, particularly if combined with the proposed cut from 8 percent to 5 percent in the existing tax on basic cable service.

Although the profitability of the cable industry declined significantly in the period from 1979 to 1984, profit levels rebounded in 1985. To allow the Task Force to better understand the profit performance of the industry we asked Moss, Roberts to develop financial projections for the industry over the next 15 years. Based on the conservative assumption that cable rate increases were held to 80 percent of inflation the study indicated an average return on equity of 16 percent over the 15 years. This would be 2.1 percentage points higher than the rate of return allowed Bell Canada at the present time. However, if cable rates moved up in line with inflation the average rate of return on equity would then be 25.7 percent, by comparison with the 13.9 percent now allowed Bell Canada.

The 1968 Broadcasting Act provided little guidance to the CRTC as to the way the objectives of the Act were intended to affect the regulation of cable television. While the programming of each

broadcaster was to be predominantly Canadian it was not at all clear how, or even if, this goal had a parallel in what was expected of cable. The closest the existing Act comes to prescribing a role for cable is in the general requirement that the system — which includes cable — be owned and controlled by Canadians in order to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada.

With cable now serving over 60 percent of Canadian households it is essential to the effective functioning of the Canadian broadcasting system that the role of cable be more clearly defined. For Canadian television broadcasters in particular, the questions of whether they must be carried by cable companies and in what order of priority are crucial to their ability to reach viewers and generate advertising revenue. As satellite-to-cable networks develop it has become important whether a new service can be offered as a basic or discretionary service and whether or not it must be offered to subscribers by cable companies. Equally important for Canadian broadcasters is whether cable systems are allowed to carry directly competing foreign signals and whether the broadcast rights purchased by Canadian broadcasters will be protected.

The Task Force recommends that in new legislation cable undertakings be clearly defined as undertakings that receive and retransmit broadcasting signals. Cable's central role is to retransmit content in a specified order based on broadcasting policy objectives.

To the extent that the owners of cable undertakings become involved in programming, or in the provision of "non-programming" services they should do so through separate organizations. As a result, community programming and any other programming services in which cable system owners are involved should be the responsibility of separately licensed entities.

Because under our proposals cable companies would not themselves be involved in program content they should not be allowed to compete for advertising revenue with licensed Canadian broadcasters.

The key issue in cable policy is which broadcasting services Canadian cable systems should be allowed to carry and in what order of priority. Our recommendations are as follows:

The essential role of cable television is to be a carrier of Canadian radio and television broadcasting services, both public and private. First priority should be given to public-sector Canadian services followed by private Canadian services. To the extent that foreign radio and television services are carried, they should represent a source of programming

complementary to that available from Canadian broadcasters. Priority should be given to services in French on systems that serve primarily francophone subscribers.

The Task Force considered whether it might be possible to re-tier cable service, at least in English language systems, in order to better reflect the policy priorities we recommend. A model was developed and tested which involved establishing three tiers, rather than two, with the placement of individual services on the tiers reflecting their Canadian content. While additional research is required, and particularly market research, the economic analysis we carried out indicates that the model has the potential to produce economic growth for both cable systems and Canadian broadcasters. Further study and consultation with the industry should be undertaken to determine the feasibility of retiering cable service along these lines.

We believe that the cable subscription rates for basic service must continue to be regulated by the CRTC, since cable operates on a monopoly basis. However, no satisfactory process has been established to determine fair and reasonable rates.

Rate setting is a process through which the regulator acts as an arbiter between the interests of consumers and the interests of the cable companies. The goal should be a process fair to both parties and seen to be fair.

At present, the financial data reported to the CRTC is inadequate. It will not be possible to make anything but an arbitrary decision about what constitutes reasonable rates unless there is reliable balance-sheet and operating data available for each system. For systems offering discretionary services it will be equally important that proper cost separation be carried out. The increasing sophistication and precision of the CRTC's approach to the regulation of telephone rates contrasts with its increasingly generalized approach to regulating cable rates.

We acknowledge the lack of resources available to the CRTC. Nevertheless, the public has a right to be assured that it is paying rates that fairly reflect costs. At the same time the cable companies merit equitable treatment for all systems operating in the industry, both large and small, as well as a reasonable rate of return. Our recommendations are as follows:

The rates charged by cable companies for basic service should continue to be regulated by the CRTC. As a basis for rate regulation, the Commission should require that both balance-sheet and operating data be maintained on a system-by-system basis, and that financial transactions between parent companies and their subsidiaries be monitored.

Cable companies should be required to carry out full cost separations as a basis for the fair allocation of costs to basic, discretionary, and any other services.

Financial data on a system-by-system basis should be disclosed as a basis for public involvement in rate setting.

The rates allowed cable companies should reflect the costs of upgrading their basic services, including the cost of the proposed new Canadian television service, and also allow them a fair and reasonable return on their investment.

Chapter 25 Satellite Distribution

Since 1968 Canada's space policy has had telecommunications, including broadcasting, as its priority. Telesat Canada was established in 1969 as a monopoly, half owned by government, half by the telecommunications carriers, to own and operate Canadian communication satellites. Telesat was to fulfil four needs: television and telephone service in the north and underserved areas, television service in both languages to all Canadians, and supplementary service to the telecommunications companies' east-west microwave network.

The first of the Anik series of communication satellites was launched in 1972, but from 1973 to 1981 the CBC was the only full-time broadcasting customer. The CRTC delayed services such as pay-TV that would use satellites. After 1981, CANCOM, pay-TV and specialty services, and provincial services were added. Telephone carriage also did not grow as expected during the earlier years. That meant Telesat Canada had a lot of expensive extra satellite capacity and rates higher than would be needed if the expense of the satellites could have been spread among more customers.

Today, broadcasting accounts for 60 per cent of the traffic in Telesat Canada's space segment -- i.e., excluding ground stations -- and is expected to remain the major user as long distance telephone traffic goes increasingly to fibre-optic links.

For many years Telesat Canada, as a member of the national association of common carriers, Telecom Canada, was controlled by Telecom and in return received hefty transfer payments from it. These subsidies end in 1987 and in return Telesat Canada has obtained the right to market its own services independently of Telecom Canada.

The Task Force believes Telesat Canada should be seen in future primarily as a distribution service for broadcasters and regulated as such, but recognizes it will continue to have other important

functions. To the extent that these other functions are part of its strategic role in providing communications to the far north and remote areas, however, any necessary subsidy should come directly from government rather than by cross-subsidy from broadcasters or other users.

Whether as common carrier or broadcast carrier, Telesat Canada must have its rates controlled in the public interest owing to its monopoly position in satellite communications. But its present regulation in accordance with the stipulations of the Railway Act requires rigid cost-recovery pricing of individual services, which hampers commercial marketing. Telesat should be able to gear its sales efforts to the needs of broadcasters, rather than strictly those of the common carriers, as it did during the period when it was regarded as a 'carriers' carrier'. The Task Force recommends:

New legislation should provide a special regime of broadcast-carriage rate-setting for Telesat Canada. It should protect the consumer interest in fair and reasonable rates. It should permit economic pricing for the marketing of information and entertainment services. If necessary, broadcast services of public interest using Telesat Canada should be federally subsidized to provide for the viability of satellite communications in Canada.

The use of Telesat Canada to support the Canadian aerospace industry should be kept separate from its communications role and be supported directly by government rather than users. The broadcasting industry should be consulted in the review of Telesat ownership policy, which was originally intended to include the general public as well as the government and the carriers as shareholders. The Task Force believes a greater use of satellites could lower the cost of broadcast distribution if appropriate new criteria for rate-setting were introduced as recommended.

Chapter 26 Underserved Areas

It became urgent to try to close the gap in number and quality of television services between underserved and urban areas when people started taking the law into their own hands and erecting satellite receiving dishes. Until they did so, their only choice was between CBC and CTV rebroadcast transmitters.

Following the recommendations of the CRTC's Therrien Committee on Extension of Service to Northern and Remote Communities, the CRTC licensed Canadian Satellite Communications Inc. (CANCOM) to provide eight radio signals, including two native language stations, and the four TV channels to underserved areas. In 1983 CANCOM was authorized to add the three-plus-one American channels. CANCOM retransmitted the signals of Detroit stations for this

purpose, creating concern that this practice would turn them into superstations in the Canadian market.

CANCOM is authorized by the CRTC to charge cable operators up to \$7 a month per subscriber for its whole package. Now that the fixed cost of satellite transmission is being spread over the steadily larger subscription base, CANCOM has the prospect of reducing the \$30 million debt built in its early years and becoming prosperous. In addition to serving its 'core' market in the underserved areas, the company has been authorized to serve an 'extra cable' market, where it supplies the three-plus-one channels not received by local cable systems, and a 'replacement' market, where it supplies clearer three-plus-one signals than those available by terrestrial microwave transmission. CANCOM also markets its service direct-to-home for those with a dish and decoder where cable cannot be extended.

Complaints have been received by the CRTC and the Task Force that CANCOM is charging much higher rates for its service in the underserved communities than in the extra-cable and replacement markets, though distance from source makes no difference to the cost of satellite transmission.

The Task Force believes it is essential to make changes in public policy to reduce the CANCOM services cost to licensed cable systems in underserved communities. Illegal systems are able to avoid such costs altogether by taking American signals. One means of reducing costs would be by exempting systems of under 500 subscribers from the eight-per-cent federal cable tax. Another possibility would be direct assistance to small systems. Another would be to extend aid available under regional economic development programs to the construction of small legitimate cable systems. There is also good reason to review the rate structure now permitted CANCOM. The task Force recommends:

Action should be taken to reduce as much as possible the cost of CANCOM's service to the remote and underserved communities that constitute its core markets.

The Task Force also recommends that public assistance should be considered to enable the transmission of more French-language services to underserved areas. In view of complaints that CANCOM is offering unfair competition to local broadcasters in the extra-cable and replacement markets, the Task Force also recommends that the CRTC call a new policy hearing to determine the economic consequences of these CANCOM services.

The Task Force believes there could be a useful role for CANCOM in delivering American signals on behalf of the gateway company which would hold residual American rights under the proposal discussed in Chapter 28 on copyright.

PART IX OWNERSHIP AND COPYRIGHT

Chapter 27 Patterns of Ownership

The principal ownership concentration issue in the cultural industries is usually considered to be the public's right to a free flow of information, opinion, and entertainment from the broadest possible array of sources. Division of broadcasting into public, private, and community sectors helps provide diversity. Within the private sector excessive concentration needs to be avoided so that no particular interest group or alliance of interests can get a strangle-hold on broadcast content.

In both Canadian radio and television, ownership has not reached a high level of concentration in either national or major local markets. More detailed study would be required to see whether there are particular local situations, or instances of cross-media ownership that would give rise to concern. Concentration of cable ownership is a little greater, but may well be desirable in many parts of the country to foster the capital development that is needed to provide additional services and better technical quality; the fact that cable companies are regulated local monopolies tends to offset possible abuses.

Patterns of ownership in the broadcasting industry are illustrated in profiles of a number of the larger companies with multiple media holdings: Agra Industries Limited of Saskatoon, Baton Broadcasting Inc. of Toronto, the Blackburn Group of London, CFCF Inc. of Montreal, CHUM Limited of Toronto, CUC Limited of Scarborough (Toronto), the Irving Group in New Brunswick, Maclean Hunter Limited of Toronto, Moffat Communications of Winnipeg, Pathonic Inc. of Montreal, Radiomutuel of Montreal, Rogers Communications Inc. of Toronto, Selkirk Communications Limited of Toronto, Standard Broadcasting Corporation of Toronto, Télémédia Communications Inc. of Montreal, and WIC Western International Communications of Vancouver.

Ownership policies in the Canadian broadcasting system are concerned with ownership by non-Canadians, chain ownership, vertical integration, multiple media ownership in a single market, media conglomerates, and media ownership by non-media conglomerates.

Since adoption of the 1968 Broadcasting Act, foreign ownership in Canadian broadcasting undertakings has been reduced to a minority and non-controlling position. There are no explicit rules in Canada to limit the number of radio stations, television stations, or cable operations that can be owned by a single company. By contrast, the rules of the Federal Communications Commission (FCC) in the United States limit the number of radio or television stations in a chain; a possible similar limitation of cable ownership is now under study.

There are many examples in Canada of vertical integration, such as the ownership of production and distribution facilities by the same company. This is often in the interest of efficiency. But the CRTC has sought to prevent, for example, a degree of integration that would exclude the independent producer from finding outlets.

The CRTC has traditionally refused to allow one proprietor to own more than one television station, AM radio station, or FM radio station in the same market, the major exceptions being the twin-stick operations in smaller centres. In the United States, cross-media ownership rules are detailed and restrictive. The ownership by cable companies of television networks, telephone companies, broadcasting outlets, or newspapers serving the same market is prohibited. No single owner can have an interest in more than one AM-FM radio combination or television station in a single market; nor can a single owner hold an interest in a newspaper in a particular market and also have a broadcast licence to serve that market.

There is a growing number of large companies with holdings in several media at the national level, such as Southam and Maclean Hunter. This has given rise to some concern that a few media companies will exercise too pervasive and powerful an influence on media expression in Canada and on public opinion. Earlier inquiries have also given a good deal of attention to the possibility that media companies held by non-media conglomerates could be subject to undue influence. The Bryce Royal Commission on Corporate Concentration said it found no evidence of such influence but "potential editorial bias is created by any kind of concentrated ownership".

The CRTC has always recognized that a degree of diversity of ownership should be maintained in the interest of the 1968 Broadcasting Act's call for comprehensive and balanced programming. But there is no comprehensive policy framework within which to assess particular instances of concentration. At the same time, there is an argument in favor of a degree of concentration in order to strengthen the competitive power of the Canadian broadcasting industry as a whole.

The Task Force recognizes there is an international trend toward more media concentration but also believes there clearly is a point beyond which concentration of ownership and control is not compatible with balance and diversity. Limits should be set on the market share that can be held by a single firm. The Task Force recommends:

The CRTC should hold a policy hearing to review the issues related to ownership concentration in broadcasting.

Based on the public input provided through the hearing process the Commission should publish a statement of its policies on broadcast ownership.

Commission ownership policy should recognize the need to consider French and English language broadcasting as separate components of the system, which serve relatively distinct audiences, and should give particular attention to the development of policy guidelines concerning cross-ownership within individual broadcast and media markets.

Chapter 28 Copyright Issues

The Sub-Committee on the Revision of Copyright of the House of Commons Standing Committee on Communications and Culture has recommended in its report, A Charter of Rights for Creators, that sound recordings, radio and television programs, and all forms of performance be protected in a category separate from the original works themselves. The Task Force concurs and offers further comment on the type of protection that might be afforded and the reasons for it.

Under a 1954 Exchequer Court decision Canadian cable companies do not have to have permission to retransmit broadcast signals and this is generally considered to apply also to point-to-point satellite communications. Copyright holders argue that this deprives them of control over much of the audience to whom their works are distributed.

Few contest the legitimacy of compensation for retransmission of programs. Objections relate to the financial burden. In the United States undue financial impositions in the case of small systems are avoided by limiting combined copyright payments to one cent per month per subscriber from cable systems with fewer than 500 subscribers.

The problem becomes more complex when distant American signals are retransmitted in Canada. Since 1971, the CRTC has allowed the importing of signals from the three major American commercial networks (NBC, CBS, ABC) and the American public network (PBS). This three-plus-one policy was extended to CANCOM in 1983. Such free import has the doubly detrimental effect of making it difficult for American producers and broadcasters holding copyright on the retransmitted programs to sell program rights in Canada, and of depriving Canadian broadcasters of the exclusive right they were supposed to have when they bought Canadian rights to American programs.

The Task Force recommends that a retransmission right should be recognized in order, first, to protect the interests of Canadian broadcasters and, second, to foster the dissemination of Canadian

works. If costs had been attached to retransmission, cable operators might have questioned the wisdom of a decision to import signals consisting primarily of programs for which broadcast rights were already owned in Canada.

The Task Force proposes the following type of mechanism for acquiring Canadian rights to residual American programming. A gateway non-profit company, jointly owned by Canada's public and private broadcasters, should be established. The corporation would make arrangements to clear Canadian rights for all American network programs not already purchased on the open market by Canadian broadcasters. Arrangements would be made to uplink these signals from points along the border and distribute them to cable operators in Canada by satellite, rather than terrestrial microwave. CANCOM could be the distributing agent.

Because Canadian distribution rights would now be held for all network programming, American commercials would be eliminated and the gateway corporation would be free to sell commercial time to advertisers in Canada. The problems created for Canadian broadcasters by the spillover of U.S. ads into their market would be largely resolved. There would be no further need for Bill C-58 provisions. Distribution costs would, on the whole, be lower, and signals clearer, owing to satellite transmission. Canadian control over the Canadian broadcasting system would be enhanced. The Task Force recognizes that further study and testing of the gateway concept would be required.

The Task Force also recommends that cable operators should have the right to civil remedies to prevent unauthorized reception of their signals or the manufacture and sale of illegal decoders, and a right to be compensated for damages caused by unauthorized reception.

PART X CONCLUSIONS

Chapter 29 Financing the Task Force Proposals

It must be recognized that substantial additional funds will be needed to redress the growing imbalance between Canadian and foreign programming. The Task Force has tried to find the money to the greatest extent possible in reallocation of resources, better organization, and other efficiencies. The Task Force believes its cost estimates are informed and reasonable, although they cannot be precise. These cost estimates are itemized in a table accompanying the chapter.

Cost of raising Canadian content in peak viewing hours on the CBC's French and English networks will vary according to the extent of Canadianization agreed upon. Taking account of Broadcast Fund costs and the possible loss of commercial revenue, the costs could be as high as \$30 to \$40 million to increase

Canadian content to 85 per cent from the present 80 per cent, \$60 million to \$80 million to increase to 90 per cent, and \$90 to \$120 million to increase to 95 percent. The net cost of Canadianization of daytime programming would be \$15 million to \$20 million. However, if the tax incentive proposal to encourage advertising on Canadian programs is accepted these costs could be significantly lower.

The Canadian broadcasting system has three general sources of funds: revenue from advertisers; government appropriations, using tax revenues; and subscribers' payments for receiving broadcast signals. Both the total amount of money and the proportion of it used for high-quality Canadian production are important to achieving national goals.

Though per capita advertising revenue is low in Canada compared to other western countries, there has been substantial growth in recent years thanks to simultaneous substitution and the discouragement of advertising on foreign stations through Bill C-58. This has facilitated private broadcasters' development of effective local, regional, and national news and information programming.

Heavy reliance on public broadcasting for Canadian programming will have to continue. But the Broadcast Fund introduced a new method of supporting private sector production. The Task Force also concurs with the approach of financing the Broadcast Fund at approximately the level of receipts from taxation of cable television subscriptions. The Task Force recommends the Broadcast Fund receive \$75 million in 1988-89, rising thereafter to keep pace with inflation.

Whether Canadians pay for their television through taxes, charges added to the cost of goods and services to cover their advertisement, or charges levied by cable companies, the money ultimately comes out of the same pocket. Owing to the rapid advance of cable, subscriber services have grown more rapidly than others over the past two decades. In the United States, subscriber payments for basic cable service have become an important way of financing a whole range of new satellite-to-cable services. So far in Canada satellite-to-cable services have been discretionary, but the Task Force recommends a very limited number of new services on the basic tier, as in the U.S.

For the proposed CBC news and current affairs channel, the Task Force has proposed a 25-cent addition per month to basic cable rates, and for TV Canada an addition of 75 cents in the first year, rising by 25 cents annually till it reaches \$1.50, keeping pace with inflation thereafter. The news channel rate combined with expected advertising revenue would raise about \$20 million a year. The TV Canada rate would raise about \$45 million the first year and \$100 million the fifth.

The Task Force recommends that the tax on cable service, be differentiated: it should be lowered from 8 to 5 per cent on basic cable, and raised to at least 10 per cent on discretionary services, which are in the nature of luxuries rather than essential services.

The Task Force believes it would be appropriate if the government wished to do so to tax other program-delivery vehicles at the same rate as basic cable and notes that a 5-percent rate on sale or rental of audio and video cassettes, VCRs, and satellite receiving dishes would have generated \$110 million in 1984. The result would be greater fairness in the treatment of these industries vis-à-vis the cable industry.

The Task Force recommends that the Government of Canada place its own TV ads on domestic television programs. In order to encourage all advertisers to place their commercials on Canadian programs, the Task Force also recommends a 150-percent deduction from taxable business income of the cost of advertising on Canadian programs in the categories of children's, drama, documentary, variety and performing arts. The cost of this incentive is estimated not to exceed \$29 million a year.

Taking all its proposals together, the Task Force estimates its recommendations would incur additional expenditures of roughly \$175 million in the first year, using the lowest estimates, rising to about \$270 million with full implementation. Most of the difference between these two figures reflects the phasing in of TV Canada, with its revenues rising from \$45 million in the first year to roughly \$100 million annually. The vast majority of additional expenditures, over 80 percent of the total, would go into Canadian program production.

Not all of the additional spending to implement our recommendations would come from government. The costs of TV Canada and part of the cost of the Canadian news channel would come from cable television. The Canadian news channel would also have advertising revenues, while additional expenditures by private broadcasters on Canadian programming would also come out of advertising revenue.

Our recommendations would involve additional annual expenditures of public funds, which could draw on new tax sources we have suggested, of between \$80 million and \$100 million, excluding the cost of continuing the Broadcast Fund. Included in this amount are the costs associated with the CBC, and particularly with the further Canadianization of CBC television schedules, the cost in lost revenue resulting from the proposed tax incentive, the recommended additional CRTC expenditures, and the recommendation on native broadcasting. Excluded from the estimate is the potential loss of advertising revenue which might be associated with the Canadianization of CBC television schedules, particularly in English television. However, the tax incentive which is

included in the costs could well offset these potential losses to a substantial degree.

Chapter 30 The Future of Canadian Broadcasting

The problems upon which the Task Force has dwelt in this Report are clear enough: inadequate Canadian programming; inadequate high-quality programming; insufficient performance programming by the private sector in English Canada, insufficient attention paid to information and public affairs programming in the private sector in Quebec; and a general reluctance to give priority to the social goals of the broadcasting system.

The reasons for these problems are equally clear: the public sector, which must be the chief purveyor of quality Canadian programming, is inadequately scaled and funded; the private sector, both broadcasters and cable which should complement the public sector at least to the extent of contributing to the fulfilment of the social objectives of the Broadcasting Act, is not contributing enough.

What is now required is the political will to provide Canada with a fully Canadian broadcasting system — or, at least, as Canadian as possible under the circumstances. Central to such a system is recognition of the distinctiveness of the French-language and English-language components of the system.

The Task Force proposes a new broadcasting act in which the responsibilities of the broadcasting system as a whole are clearly defined.

The Task Force disagrees with the Applebaum-Hébert recommendation that the CBC hand over all but news and sports program production to independent producers, and disagrees with the previous government's view that the CBC should be "complementary" to the private sector. The task Force's recommendations call for the CBC to continue playing a central role in assuring that Canadians have a truly Canadian broadcasting system. For the Task Force the CBC is not a complementary broadcasting agency; it is the central one. It must be the main Canadian presence on television. The role of the private system is to complement the CBC in the area of quality Canadian programming and to supplement it by providing American programming.

The Task Force's view is that the programming crisis is of such magnitude that it cannot be met by the CBC alone. Accordingly a second non-commercial network, satellite-to-cable, in both French and English, has been recommended. The main recommended expansion of the CBC would be through the proposed satellite-to-cable news channel.

The Task Force has also sought to deal with other major legitimate demands for greater participation and access: for native peoples, official-language minorities, and multicultural minorities; for people in underserved and remote areas; for minority groups based on interest, belief, opinion, or taste; for the regions of Canada. Thus the Task Force has dwelt on the possibilities of community broadcasting, provincial broadcasting, and the new TV Canada serving these groups, and a stronger CBC regional structure. It has emphasized the role that could be played by the National Film Board and its contribution to a greater participation by women in the broadcasting system.

It is no accident that so much of this concluding chapter is devoted to issues of a public nature, since it is evident that the greatest burden of social obligations the Task Force has assigned to the broadcasting system as a whole must be borne by not-for-profit broadcasting. But great attention has also been given to means of persuading and enabling the private sector to comply with the social goals of broadcasting. The Task Force hopes that by shifting the burden of compliance from general regulations to specific conditions of licence, the work of the CRTC in ensuring that all components of the system contribute to its larger goals will be facilitated.

The Task Force largely agrees with the approach taken by the CRTC toward private radio in reducing the regulatory burden on FM but continuing to protect AM radio from FM's advances. In return, the Task Force expects radio stations to uphold the Canadian content requirements and contribute to the development of Canadian popular music.

Similarly, the Task Force endorses for private television broadcasters a wide range of regulatory protection and legislative support worth many tens of millions of dollars in direct advertising revenues and infinitely more in industrial stability. Such measures are only justifiable, however, if the broadcasters in return make significant contributions to the goals of the Canadian broadcasting system.

Cable has played a controversial role in the broadcasting system, especially given its strong lobby to bring more and more American signals into Canada. The Task Force recognizes its important role in program transmission, however, and makes recommendations to clarify its status and protect it from piracy of its signals.

In short, the Task Force proposes that the entire private sector in broadcasting receive some degree of state support and protection in return for which each component of the private sector will contribute to the objectives of the broadcasting system.

From the beginning Canadians have looked to broadcasting to play much more profound social roles than have ever been expected of the American system. At the same time, the Task Force believes that it is through the pursuit of individual and human goals of expression and enjoyment that we attain the nation-building goals; it is not at all a matter of creating what some have called a state culture.

The recommendations made by the Task Force will involve considerable effort and expenditure, as this Report has made clear. Policy-makers will have to gauge the extent of the commitment of Canadians to a Canadian broadcasting policy, assess their own feelings about a substantial contribution from the private sector, and decide the proper level of government spending. The Task Force does not underestimate the difficulties. But there are irreducible costs to being Canadian, and certainly participation in the Canadian broadcasting system is one of them.

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